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CIA Deserted Rewald, Lawyer Says

Fraud Defendant Is Characterized as 'the Spy Left Out in the Cold'

By Charles Memminger
Star-Bulletin Writer

Six of the seven members of Bishop, Baldwin, Rewald, Dillingham & Wong's executive board either had ties to the CIA or had been cleared by the agency, Ronald Rewald's attorney told a federal jury this morning.

Deputy Federal Public Defender Brian Tamanaha described Rewald as "a man who loves his country and believed in the CIA." But the CIA abandoned Rewald when an Internal Revenue Service investigation began in late 1982, he said, and investigation eventually led to the collapse of Rewald's company in 1983.

That description of Rewald conflicts with one given by Assistant U.S. Attorney John Peyton, who in his opening statement yesterday said Rewald was a man who exploited his limited CIA ties to bilk hundreds of investors of millions of dollars.

The jury will have to decide whether Rewald, charged with multiple fraud and perjury counts, was "the spy left out in the cold," in Tamanaha's words, or the architect of a sophisticated "Ponzi scheme," as described by Peyton.

TAMANAHA SAID that if Rewald was only a swindler, he didn't do what most swindlers do: make sure there's a stash of money available somewhere

when the scam collapses.

He said Rewald will not dispute that he spent investors' money or made false representations about his company. But he asked the jury to "be patient" throughout the lengthy trial so it can learn why Rewald spent the money.

Tamanaha said the money was spent to create the image of a wealthy businessman so that Rewald could carry out his role for the CIA of meeting wealthy foreign leaders.

He succeeded "beyond the CIA's wildest expectations" when he established business and personal relationships with a Philippines banker and the Sultan of Brunel, he said. Rewald made his contacts initially through the Hawaii Polo Club which the CIA directed Rewald to do, Tamanaha said.

Rewald's relationship with the agency in Hawaii began in 1978 when he introduced himself to Eugene Welch, the CIA station chief. But his role grew steadily and soon his company, which was set up at the agency's request, was a haven for agents, Tamanaha said.

BBRD&W'S BOARD of directors included former CIA station chief Jack Kindschi and Ned Avari, whom Tamanaha said had worked for the CIA. Also on the board were Rewald, Jerry Signori, president Sunlin Wong and Russell Kim. All were cleared by the CIA, he said.

The company also provided cover for CIA agent Charles Richardson, who Tamanaha described as the chief of foreign intelligence resources for the West Coast. It was Richardson's boss, John Mason, who had Rewald sign a secrecy contract with the agency, Tamanaha said. Another agent who worked as a BBRD&W consultant. But because of national security, he will only be referred to during the trial as "John Doe 14," Tamanaha said.

In fact, other "characters" involved in the case will only be referred to in the trial as "John Does 1-14" and "Jane Does 1-5" because of national security, Tamanaha said.

Tamanaha said it was Rewald's "ability to convey sincerity" that made him an asset to the CIA.

HE SAID THAT, at times, Rewald's fast lifestyle, which involved "money, cars and women," went to Rewald's head. "Mr. Rewald enjoyed it," Tamanaha said. "But he believed he was filling a valuable role for the CIA."

Because Rewald was "an amateur," however, the company had problems. As a result, its internal structure began to fall apart. That led to a number of investigations and its eventual downfall.

Just before the company's collapse, the CIA asked Rewald to

turn over all his documents relating to the CIA. Station chief Jack Rarden told Rewald that the documents would connect him "colder than a mackerel to the CIA," Tamanaha said.

Rewald began secretly taping conversations with Rarden when he suspected that he was being abandoned.

Tamanaha said the CIA did to Rewald what it does when an operation is threatened: "They cover their tracks and then cut and run."

PEYTON, IN HIS opening statement yesterday, said Rewald used his charm to convince investors to put money into the company.

Peyton, for the first time, disclosed publicly that the CIA did temporarily stop an IRS investigation of Rewald.

But Peyton said that the CIA did so because Rewald had lied to the agency about what the investigation would turn up.

When Rewald kept insisting that the IRS probe would "uncover some secret CIA activity," Peyton said, the agency decided to send someone to Hawaii to "review whatever it was Rewald was talking about."

Two weeks later, convinced that there was nothing to Rewald's claims, the CIA stepped aside and the IRS investigation continued, he said.

Peyton said the CIA involvement in Rewald's company had

nothing to do with Rewald's bilking investors out of millions of dollars.

He described how Rewald built up the company in 1978 by soliciting investments with promises of high returns.

But the \$22 million taken in over five years never was invested, Peyton said. Instead, about \$10 million was paid back to investors, \$5.5 million went for company overhead and most of the rest went for Rewald's personal expenses, he said.

REWALD'S TRIAL began yesterday afternoon after 18 jurors were sworn in. But only U.S. Judge Harold Fong and the attorneys know which jurors actually make up the 12-member panel and which are the alternates.

Fong said that would help assure that all jurors pay close attention to the proceedings. The trial is expected to last three months.

Peyton said all but one of the 98 counts against Rewald involve charges that he lied to officials, investors and others.

It began when Rewald moved to Hawaii and started the company, which Peyton described as "an elaborate Ponzi scheme."

Peyton said Rewald lied about the company's roots, which Rewald claimed went back to Territorial days. He said Rewald lied that the investments would be

safe and insured. He also said Rewald lied about the extent of his ties with the CIA.

FOUR PERJURY charges relate directly to Rewald's claims in sworn affidavits that his company was set up at the direction of the CIA.

For instance, Rewald said in one affidavit that former CIA station chief Welch had fake Marquette University diplomas printed to give Rewald credibility.

But Peyton said Rewald made the claim that he attended Marquette in a 1976 application with the Securities and Exchange Commission, two years before he ever met Welch.

PEYTON SAID Rewald lulled investors into a false sense of security so they would not withdraw their money. He said Rewald did this by sending out "lulling letters" and fake financial reports.

But the most "outrageous" letter sent out was one announcing the "death" of Grant Randall Dillingham, purportedly the "Dillingham" in the company title.

Dillingham, along with Baldwin and Bishop, never existed, Peyton said.

Nevertheless, he said, Rewald sent company president Wong to Los Angeles to attend Dillingham's "funeral." Wong walked the streets of L.A. for a day as part of the ruse, then returned to Hawaii, Peyton said.